

PROVINCE OF SASKATCHEWAN



2009

ANNUAL REPORT

NORTHERN MUNICIPAL
TRUST ACCOUNT
(NMTA)

Table of Contents

| | |
|---|----|
| Letters of Transmittal..... | 1 |
| Organization Chart | 2 |
| 2009 Highlights | 3 |
| Minister's Mandate | 3 |
| Overview | 4 |
| Performance Results..... | 7 |
| 2010 Outlook and Beyond | 12 |
| Appendices | |
| Appendix 1 – Payments | 15 |
| Appendix 2 – Transfers | 16 |
| Financial Statements | |
| Management's Report..... | 17 |
| Auditor's Report | 18 |
| Statement of Financial Position | 19 |
| Statement of Operations and Accumulated Surplus | 20 |
| Statement of Change in Net Financial Assets..... | 21 |
| Statement of Cash Flow | 22 |
| Notes to the Financial Statements | 23 |
| Schedule 1 – Segmented and Restricted Assets..... | 30 |

Letters of Transmittal



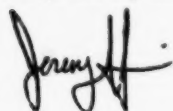
Minister's Letter of Transmittal

The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

Your Honour:

It is our privilege to submit to you the Annual Report of the Northern Municipal Trust Account for the fiscal year ending December 31, 2009.

Respectfully submitted,



Jeremy Harrison
Minister of Municipal Affairs



Deputy Minister's Letter of Transmittal

The Honourable Jeremy Harrison
Minister of Municipal Affairs

Dear Minister:

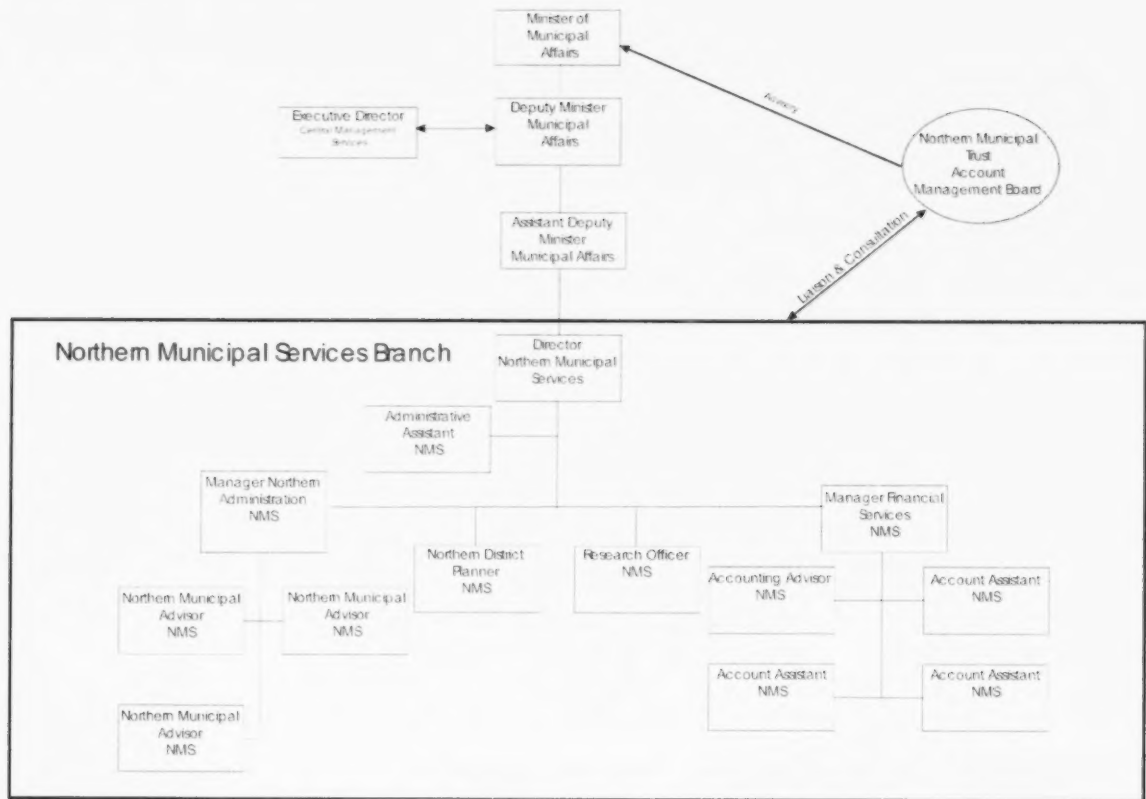
I have the honour of submitting the Annual Report of the Northern Municipal Trust Account for the fiscal year ending December 31, 2009.

Respectfully submitted,



Van Isman
Deputy Minister, Municipal Affairs

Organization Chart



2009 Highlights

In 2009 the new Northern Revenue Sharing Grants Program was implemented. This new formula helps ensure effective local government and sustainable infrastructure services through increased allocation and distribution of funds. The program enables municipalities to meet the costs of providing four basic core services to their residents – administration, water and sewer, roads and solid waste management. As four municipalities would see reductions in operating grants as a result of the new formula, the Northern Municipal Trust Account included a five-year transition plan for those communities.

The Northern Water and Sewer Program provided safe drinking water for northern communities. In 2009, \$6.4 million was expended upgrading water and sewer systems. Results from the past year include:

- a new water treatment plant in Sandy Bay;
- upgraded water treatment plants in Green Lake and Buffalo Narrows; and,
- the initiation of construction of a regional water system serving the Town of La Ronge, the Northern Village of Air Ronge and the Lac La Ronge Indian Band.

Capacity development in northern communities is being enhanced through a contract to assess the state of municipal infrastructure and assets. The work will enable northern municipalities to comply with the Public Sector Accounting Board requirement on inclusion of tangible capital assets in their 2009 financial statements. The development of asset management plans and preparation of the 2010 water needs assessment will also be supported.

The Northern Hamlet of Missinipe reverted to a northern settlement on October 1, 2009.

In 2009, the NMTA had revenues of \$28.8 million, expenses of \$23.9 million for a surplus of \$4.9 million.

Minister's Mandate

The Northern Municipalities Act ("the Act") provides that the purpose of the NMTA is to provide for the administration of funds and property held by the minister for the following purposes:

- (a) the benefit of northern municipalities generally;
- (b) the administration of the district as a northern municipality;
- (c) the disbursement of revenues derived from collection of taxes and other revenues on behalf of northern hamlets and the district, including northern settlements and recreational subdivisions.

The Northern Municipal Trust Account Management Board makes recommendations to the minister with respect to:

- (a) the allocation of northern municipal operating grants and northern grants to be made from the NMTA;
- (b) any proposed change to the Act or the regulations concerning the NMTA;
- (c) the development and implementation of other northern municipal funding programs; and
- (d) the draft budget and financial statements of the NMTA.

The Minister of Municipal Affairs functions as the municipal council for the NSAD, including 11 northern settlements, 14 recreational subdivisions including the northern dispositions (unorganized portion), and collects property taxes in northern hamlets. The Minister consults with the local advisory committee in each settlement and cabin owners associations in many of the recreational subdivisions.

Overview

The Northern Municipal Trust Account (NMTA), previously the Northern Revenue Sharing Trust Account (NRSTA), is a special account established under the Act. The NMTA has two purposes:

- to assist northern municipalities in providing quality services to their residents by funding operating and capital needs
- to administer and fund the municipal functions of the Northern Saskatchewan Administration District (NSAD)

The NMTA provides programs and services to the 2 towns, 11 villages, 11 hamlets, in the NSAD as well as the 11 settlements, 14 recreational subdivisions, and the unorganized portion. The northern hamlet of Missinipe reverted to a northern settlement on October 1, 2009. The 250,000 square km of the NSAD had a 2006 population of 33,780 (15,618 off reserve, 16,704 in municipalities and 1,458 in NSAD).

Focus Areas

Infrastructure

In recent years the NMTA has focused on the operation of municipal government and development of infrastructure, especially safe drinking water in all communities. Northern communities and the NSAD are facing increased infrastructure development pressures due to population growth and developments in oil and gas, mining, forestry and tourism. The 2009 assessment of the state of municipal infrastructure and assets will provide more complete information on the needs and costs for infrastructure upgrades in the north.

In future improvements to solid waste management in the NSAD will need to be addressed. Further additional emphasis will have to focus on social and recreational needs. This presents challenges for many northern communities due to their limited

ability to generate local revenue to meet expectations of growth and improved services. The NMTA continues to work with New North – SANC Services Inc. (Saskatchewan Association of Northern Communities) and the communities to identify additional funding sources for operations and infrastructure, as well as equitable methods to allocate funding.

Capacity

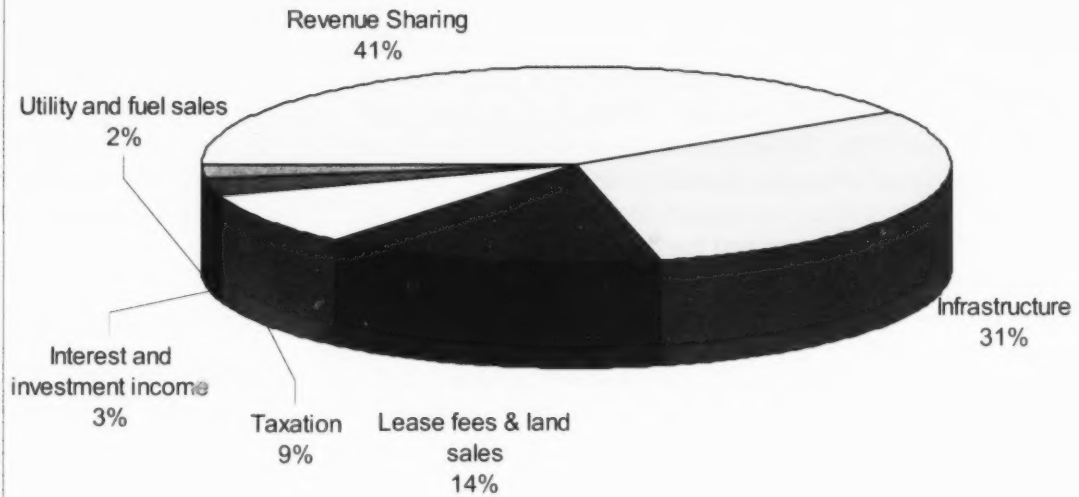
Maintaining and developing skilled and professional support personnel continues to be a challenge in the north. Education levels lag behind southern Saskatchewan and retention of skilled northerners is a problem due to limited opportunities in the smaller communities. Costs of operations have increased due to training and recruitment as well as the need to bring in outside contractors and tradespersons.

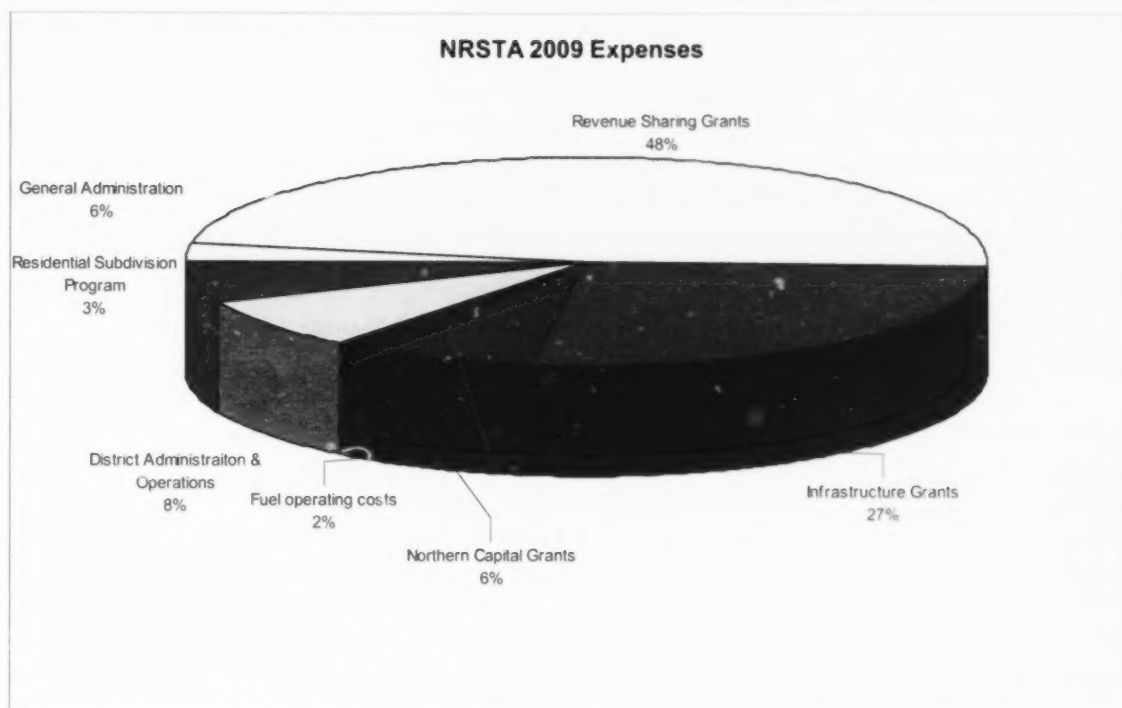
Managing Risk

The NMTA Board can influence, but not directly control, many of the risks that affect the NMTA. To assist in managing these risks, a five year rolling plan is prepared, reviewed and updated on a regular basis.

Significant decreases in revenue are the most significant risk to the NMTA. Any such reduction would curtail the NMTA's ability to deliver current programs. This risk is partially managed by retaining a minimum of \$6 million of net financial assets in the general portion of the NMTA. To continue to meet the financial needs of the communities, the NMTA relies upon additional funding under federal/provincial infrastructure programs.

NMTA 2009 Revenues





Performance Results

The goal of the NMTA is to assist northern communities in providing quality and valued municipal services to their residents.

The NMTA has three main objectives to achieving this goal. These objectives support the Provincial and Ministry goal relating to sustaining economic growth.

Objective 1: Manage the Northern Municipal Trust Account in a sustainable manner.

The NMTA prepares an annual strategic plan, business plan and budget including a five year plan in consultation with the NMTA Management Board. The NMTA planning framework establishes that the financial assets of the general account are to remain at a minimum \$6 million dollars. During the year, the Board reviews issues affecting the north and recommends policies and priorities to respond to those issues.

At the end of 2009 the financial assets of the NMTA were \$27.9 million, of which \$22.7 million related to the general account. The balance of \$5.2 million was restricted for use in the northern settlements and recreational subdivisions.

Objective 2: Ensure the Northern Municipal Trust Account is fully accountable, transparent and in compliance with legislative authorities.

The Ministry continues to enhance the NMTA's accountability and transparency. This includes improving accuracy and reliability of information about the NMTA, oversight of the NMTA by the Ministry, ensuring policies and procedures are adequate and complied with, and developing improved reporting on the NMTA to the Legislative Assembly and the public.

The NMTA Management Board held 10 meetings in 2009. Topics covered included:

- distribution of the 2009-10 Northern Revenue Sharing Grant;
- the progress of the Northern Water and Sewer Program;
- Emergency Repair Program applications;
- the Northern Residential Subdivision Development Program;
- assessment of the state of municipal infrastructure and assets and,
- financial and administration concerns with some of the municipalities.

The Board reviewed and recommended acceptance of the 2010 Strategic Plan, the Business Plan, the Financial Plan and the 2008 financial statements.

Objective 3: Provide funding to assist northern municipal governments in meeting infrastructure, capital, administrative and service needs.

This objective is met by delivery of programs and services to northern communities.

Northern Revenue Sharing Grant

The Northern Revenue Sharing Grant Program provides unconditional funding to northern municipalities and settlements to assist in meeting their annual administrative and operational needs.

| Northern Revenue Sharing Grant – Unconditional (thousands of dollars) | | | | | |
|--|-------|-------|-------|--------|--------|
| Actual Grant Payments | 2005 | 2006 | 2007 | 2008 | 2009 |
| Towns | 740 | 799 | 1,020 | 1,144 | 1,468 |
| Northern villages | 4,815 | 5,203 | 5,846 | 5,997 | 7,130 |
| Northern hamlets | 1,173 | 1,268 | 1,318 | 1,787 | 2,797 |
| | 6,728 | 7,270 | 8,184 | 8,928 | 11,395 |
| Northern settlements | 937 | 1,139 | 1,053 | 1,057 | 1,138 |
| Flin Flon boundary agreement | 36 | 38 | 35 | 36 | 36 |
| Total | 7,701 | 8,447 | 9,272 | 10,021 | 12,569 |

Northern Water and Sewer Program

The Northern Water and Sewer Program assists northern municipalities and settlements to meet safe drinking water standards and to address capacity concerns. Funded by the NMTA's general account and the federal and provincial infrastructure programs, the program facilitates the upgrading and construction of water and sewer facilities.

Phase 1 of the Northern Water and Sewer Program has essentially been completed. It began in 2000 and was funded partially under the Canada–Saskatchewan Infrastructure program. The program spent \$34.0 million improving northern water and sewer systems in 31 communities.

Phase 2 of the Northern Water and Sewer program, consists of 15 projects in 14 communities, which will provide an estimated \$17.6 million to upgrade water and sewer systems. This phase is planned to be completed in 2011. Phase 2 funding includes \$4.8 million from the Canada-Saskatchewan Municipal Rural Infrastructure Fund, \$4.2 million from the Western Diversification fund, and the balance from the conditional amounts from the Northern Revenue Sharing Grant transfer for water and sewer from 2004 to 2009 and the NMTA general account.

Phase 3 of the Northern Water and Sewer program began in 2008, with 18 projects prioritized in 11 communities at an estimated cost of \$29.3 million. The majority of this

work is planned for 2010 through 2012. The projects will be funded with an allocation of \$15 million from the Building Canada Fund and \$14.3 million from the NMTA.

Six other required upgrading projects for \$5.4 million are planned and will be funded from NMTA net financial assets.

In 2009, the Northern Water and Sewer Program funded 27 projects, worth \$6.5 million in 20 communities as compared to the budget of \$7.9 million. Delays in the La Ronge regional water system were responsible for the under expenditure.

A water and sewer assessment was commenced in 2009 to comply with the Ministry of Environment regulations. This assessment will be completed in 2010 and will form the basis for identifying future additional water and sewer needs.

| Northern Water and Sewer Program (thousands of dollars) | | | | | |
|--|-------|-------|-------|-------|-------|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| Towns | 936 | 927 | 359 | 1,085 | 4,361 |
| Northern villages | 2,314 | 1,205 | 4,663 | 3,002 | 1,562 |
| Northern hamlets | 535 | 381 | 44 | 169 | 222 |
| General expenditures | 193 | 224 | 201 | 215 | 197 |
| | 3,978 | 2,737 | 5,267 | 4,471 | 6,342 |
| Northern settlements | 27 | 78 | 81 | 181 | 185 |
| Total | 4,005 | 2,815 | 5,348 | 4,652 | 6,527 |

Northern Emergency Water and Sewer Program

The Northern Emergency Water and Sewer Program assists northern municipalities and settlements with emergency funding in the event of unforeseen problems which threaten the safe and efficient operation of the community's water and sewer systems.

In 2009, the program expended \$19,000 in 5 communities.

| Emergency Water and Sewer Program Program Expenditures (thousands of dollars) | | | | | |
|---|------|------|------|------|------|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| Northern villages | 216 | 74 | 271 | 37 | 7 |
| Northern hamlets | 229 | 271 | 118 | 60 | 12 |
| | 445 | 345 | 389 | 97 | 19 |
| Northern settlements | -- | -- | 35 | -- | -- |
| Total | 445 | 345 | 424 | 97 | 19 |

Circuit Rider Program – for water and sewer programs

The Circuit Rider Program assists communities and the NMTA in ensuring the water and sewer systems are being run efficiently and adequately maintained. Each year, two visits are made to all 31 northern communities with water and sewer systems to provide training and technical assistance to the operator. Reports on the operations are prepared on each community. Contract expenditure in 2009 was \$331,000. The Circuit Rider Program has been in existence since 2003 and has contributed to the reduction in the Northern Emergency Water and Sewer Program claims.

Northern Capital Grants Program

The Northern Capital Grant Program supports northern municipalities and settlements by providing capital funding for acquiring, constructing or upgrading municipal facilities, furniture, fixtures, and equipment. The Northern Capital Grant program is a five year \$7.2 million program expiring March 31, 2013. In 2009, the program expended a total of \$1.5 million on 43 projects in 14 communities. The current program has expended a total of \$1.7 million since April 1, 2008.

| Northern Capital Grants (thousands of dollars) | | | | | |
|---|-------|-------|-------|-------|-------|
| Grant Payments | 2005 | 2006 | 2007 | 2008 | 2009 |
| Towns | 216 | 227 | 371 | 204 | 348 |
| Northern villages | 699 | 746 | 780 | 838 | 977 |
| Northern hamlets | 180 | 29 | 58 | 371 | 133 |
| | 1,095 | 1,002 | 1,209 | 1,413 | 1,458 |
| Northern settlements | 134 | 94 | 101 | 150 | 30 |
| Total | 1,229 | 1,096 | 1,310 | 1,563 | 1,488 |

Northern Residential Subdivision Program

The Northern Residential Subdivision Development program is a \$6 million revolving fund intended to assist communities in meeting anticipated residential lot demand. The NMTA develops the lots and funds are recovered through sales or repayments from the community. Funds recovered from the sale of the lots are added back to the program in order to provide assistance to other northern communities.

In 2009, the program expended \$679,000 in three communities compared to the budgeted \$2.0 million. Thirty lots were developed at Air Ronge and feasibility studies and design work were approved for La Loche and La Ronge. The cost of development in Air Ronge was less than anticipated and the design work for La Loche and La Ronge delayed construction until 2010.

Previous subdivision development occurred in the communities of Cumberland House, Denare Beach, Pinehouse and Ile a la Crosse. One lot in existing developments was sold for \$21,000, and another \$171,000 was recovered under repayment agreements with municipalities. At the end of 2009, a total of 95 lots remain unsold.

2010 Outlook and Beyond

The 2010 NMTA consolidated budget projects an overall deficit of \$16.1 million. This is projected to decrease the net financial assets in the account to \$11.3 million by the end of the year, of which \$5.3 million is restricted for use in the northern settlements and recreational subdivisions.

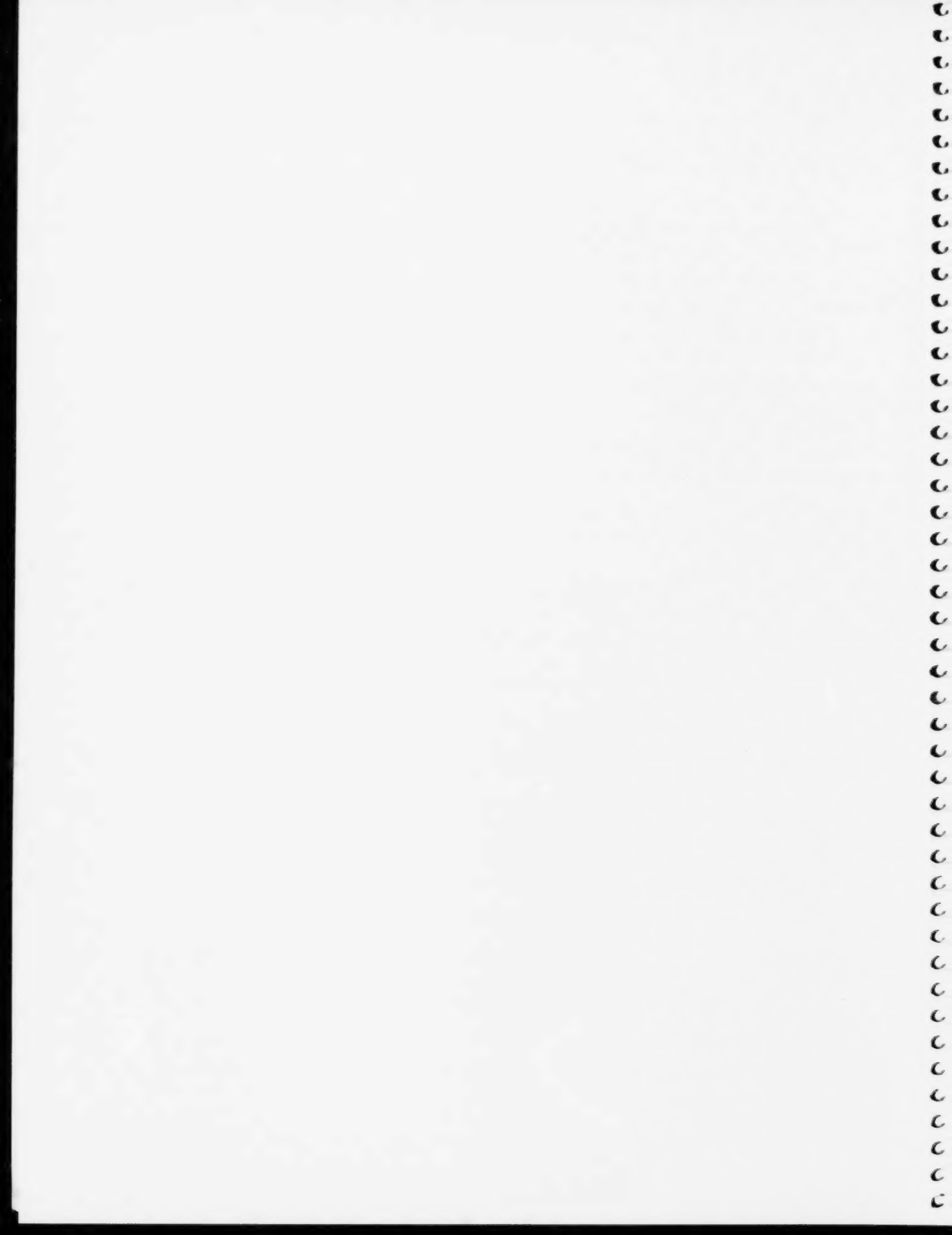
It is expected that \$1.4 million will be expended in 2010 for the Northern Capital Grant Program to assist communities with capital infrastructure needs.

- The Northern Water and Sewer Program will continue to address infrastructure needs in the north:
 - Minor completion work is expected in 2010 to complete Phase 1.
 - Phase 2 water and sewer projects are budgeted for \$7.4 million in 2010 in order to complete the 13 remaining projects.
 - Phase 3 water and sewer is for 11 projects with a total estimated cost of \$29.3 million. Construction is expected to begin in 2010 with a budget of \$17.2 million. The remaining construction is scheduled for 2011.
- The Northern Water and Sewer projects were initially planned for completion in 2014, however they have been accelerated by the NMTA Board due to availability of federal and provincial infrastructure programs. Should all the projects be completed as budgeted it may temporarily decrease the net financial assets in the NMTA general fund below the \$6 million dollar minimum threshold for 2011 and 2012, with a projected recovery to \$10.8 million by the end of 2014. The NMTA's ability to deliver any added infrastructure or other municipal financial assistance programs may be

limited until the net financial assets are built back up. The NMTA Board will examine this issue in more detail when the assessment of the state of municipal infrastructure and assets is completed.

- Projects in La Loche and La Ronge with a budget of \$2.5 million are expected to be undertaken in 2010 under the Northern Residential Subdivision Development Program. Another \$2.2 million will be available in this program although no new applications have been received to date.
- Certain capacity development initiatives are planned to continue or be developed in 2010:
 - The Circuit Rider Program will continue to the end of 2011.
 - The Northern Local Administrators' Certification Program will continue to address concerns over the training, recruitment and retention of qualified local municipal administrators.
 - A planning program to assist northern municipalities update official community plans will be implemented, with funding under the federal New Deal Program.
 - Investigation will begin on the feasibility of developing regional service districts to provide more effective core municipal services to communities.
 - The NMTA will continue to assist municipalities to implement the new provisions of the Public Sector Accounting Board relating to tangible capital assets and to complete the water and sewer needs analysis for the north.

The programs scheduled for 2010 are designed to meet the goal of the NMTA to assist northern communities in providing quality and valued municipal services to their residents. This will help enhance the quality of life of Northern Saskatchewan residents.



Appendices

Appendix 1

NORTHERN MUNICIPAL TRUST ACCOUNT

Goods and Services

Listed are payees who received \$50,000 or more for the provision of goods and services, including supplies, communication, contracts and equipment.

| | |
|---------------------------------------|-----------|
| A&L Transport | 589,058 |
| A. Kustiuk Trucking & | 56,102 |
| AECOM Canada Ltd | 138,434 |
| Associated Engineering | 1,475,440 |
| ATAP Infrastructure | 330,960 |
| Bomac Management Ltd | 723,332 |
| Bullee Consulting Ltd | 135,624 |
| Fehr Trenching & Excavating | 1,345,697 |
| Hatchet Lake Dene Nation | 194,059 |
| J & R Atkinson Excavating | 695,721 |
| KTF Properties | 309,349 |
| Methy Construction & Maintenance Corp | 79,975 |
| Miners Construction Co. Ltd | 1,892,288 |
| Mones & Associates Insurance Brokers | 62,285 |
| P.Machibroda Engineering | 51,578 |
| R' Beega's | 136,482 |
| Ritchie Construction Ltd | 2,568,628 |
| Shell Canada | 92,701 |
| Solie Drilling | 60,193 |
| Tonka Equipment Company | 79,084 |
| Uranium City Bulk Fuel Ltd | 151,271 |
| Wapawekka Sand & Gravel | 46,573 |
| Westech | 77,947 |

Personal Services

No payments were made to an individual for salaries, wages, honorariums, etc. which total \$50,000 or more.

Payments Made to Related Parties

Listed are related parties who received \$50,000 or more for the provision of goods and services, including supplies, communication, contracts and equipment.

| | |
|--------------------------------|---------|
| Saskatchewan Water Corporation | 466,822 |
| Saskatchewan Power Corporation | 141,126 |
| SAMA | 73,242 |

Appendix 2

NORTHERN MUNICIPAL TRUST ACCOUNT Payments Of Transfers

| Recipient | Revenue Sharing | Capital Grant | Other |
|--------------------|--------------------|------------------|---------|
| New North | | | 325,000 |
| Towns | | | |
| Creighton | 672,529 | 189,765 | |
| La Ronge | 795,127 | 158,624 | |
| Villages | | | |
| Air Ronge | 533,274 | | |
| Beauval | 488,416 | 110,011 | |
| Buffalo Narrows | 716,048 | | |
| Cumberland House | 573,424 | 99,550 | |
| Denare Beach | 563,961 | 46,039 | |
| Green Lake | 407,842 | | |
| Ile a la Crosse | 809,432 | 163,825 | |
| La Loche | 1308,692 | 153,037 | |
| Pelican Narrows | 458,762 | | |
| Pinehouse | 577,281 | 64,858 | |
| Sandy Bay | 692,594 | 176,289 | |
| Hamlets | | | |
| Black Point | 152,270 | | |
| Cole Bay | 267,058 | | |
| Dore Lake | 223,472 | | |
| Jans Bay | 237,523 | 48,600 | |
| Michel Village | 264,933 | 33,218 | |
| Missinipe | 147,127 | | |
| Patuanak | 250,305 | | |
| St George's Hill | 247,694 | | |
| Stony Rapids | 349,729 | 24,493 | |
| Timber Bay | 220,957 | 27,205 | |
| Turnor Lake | 197,788 | | |
| Weyakwin | 237,844 | | |
| Settlements | | | |
| Bear Creek | 110,647 | | |
| Brabant Lake | 161,702 | | |
| Camsell Portage | 36,040 | | |
| Descharme Lake | 54,632 | 30,000 | |
| Garson Lake | 63,675 | | |
| Missinipe | 53,146 | | |
| Sled Lake | 104,848 | | |
| Southend | 39,641 | | |
| Stanley Mission | 113,755 | | |
| Uranium City | 291,712 | | |
| Wollaston Lake | 108,665 | | |
| Flin Flon | 36,339 | | |

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Northern Municipal Trust Account, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

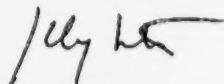
The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements

We believe the Northern Municipal Trust Account has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles

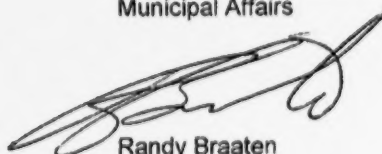
We enclose the financial statements of the Northern Municipal Trust Account for the year ended December 31, 2009 and the Provincial Auditor's report on these financial statements



S P (Van) Isman
Deputy Minister
Municipal Affairs



Kirby Wright
Assistant Deputy Minister
Municipal Affairs



Randy Braaten
Director
Northern Municipal Services



Tony Bunz
Manager, Financial Services
Northern Municipal Services

Regina, Saskatchewan
March 26, 2010



SASKATCHEWAN

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V2

Phone: (306) 787-6398
Fax: (306) 787-6383
Web site: www.auditor.sk.ca
Internet E-mail: info@auditor.sk.ca

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Northern Municipal Trust Account as at December 31, 2009 and the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended. The Northern Municipal Trust Account's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Northern Municipal Trust Account as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
March 26, 2010

Fred Wendel, CMA, CA
Provincial Auditor

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Financial Position
As at December 31
(thousands of dollars)

| | 2009 | 2008 |
|--|---------------|---------------|
| Financial Assets | | |
| Cash | 2,227 | 3,539 |
| Temporary investments | 28,448 | 23,543 |
| Accounts receivable <i>(note 4)</i> | 2,995 | 2,382 |
| Inventory for resale | 634 | 452 |
| Total Financial Assets | 34,304 | 29,916 |
| Liabilities | | |
| Grants payable | 4,351 | 3,950 |
| Unearned revenue <i>(note 5)</i> | 1,492 | 1,539 |
| Advance payments <i>(note 6)</i> | 126 | 765 |
| Accounts payable | 93 | 157 |
| Accrued landfill decommissioning <i>(note 7)</i> | 239 | 226 |
| Revenues collected for others <i>(note 8)</i> | 59 | 201 |
| Total Liabilities | 6,360 | 6,838 |
| Net Financial Assets <i>(schedule 1)</i> | 27,944 | 23,078 |
| Non-financial Assets | | |
| Tangible capital assets <i>(note 9)</i> | 5,755 | 4,632 |
| Total Non-financial Assets | 5,755 | 4,632 |
| Accumulated Surplus <i>(schedule 1)</i> | 33,699 | 27,710 |

Contractual obligations *(note 14)*

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Operations and Accumulated Surplus
For the year ended December 31
(thousands of dollars)

| | 2009 | | 2008 |
|--|------------------|---------------|---------------|
| | Budget | Actual | Actual |
| | <i>(note 10)</i> | | |
| Revenue (schedule 1) | | | |
| Transfers | | | |
| Northern revenue sharing | 13,000 | 11,718 | 11,038 |
| Water and sewer | 3,970 | 8,418 | 1,865 |
| Other transfers | 185 | 369 | 328 |
| Lease fees | 4,200 | 3,886 | 4,473 |
| Taxation | 2,186 | 2,535 | 1,790 |
| Utility and fuel sales | 1,109 | 630 | 1,242 |
| Interest and investment income | 812 | 822 | 1,088 |
| Land sales | 312 | 310 | 306 |
| Other | 42 | 147 | 54 |
| Total Revenue | 25,816 | 28,835 | 22,184 |
| Expense (schedule 1 and note 15) | | | |
| Transfers | | | |
| Northern revenue sharing | 12,321 | 11,433 | 9,865 |
| Water and sewer | 8,316 | 6,361 | 4,568 |
| Northern capital | 1,305 | 1,458 | 1,413 |
| New North | 320 | 320 | 320 |
| Other infrastructure grants | -- | 5 | 20 |
| Northern residential subdivision | 2,000 | 679 | 101 |
| Municipal services (note 11) | 2,709 | 3,010 | 2,388 |
| Fuel operating costs | 1,000 | 528 | 1,190 |
| Bad debt expense | 50 | 117 | 97 |
| Landfill decommissioning (note 7) | -- | 13 | 5 |
| Total Expense | 28,021 | 23,924 | 19,967 |
| Surplus (deficit) | (2,205) | 4,911 | 2,217 |
| Accumulated surplus, beginning of year | 26,990 | 27,710 | 25,805 |
| Change in municipal administration (note 12) | -- | 1,078 | (312) |
| Accumulated Surplus, End of Year (schedule 1) | 24,785 | 33,699 | 27,710 |

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Change in Net Financial Assets
For the year ended December 31
(thousands of dollars)

| | 2009 | 2008 |
|---|----------------|---------------|
| Surplus | 4,911 | 2,217 |
| Tangible Capital Assets | | |
| Acquisition of tangible capital assets <i>(note 9)</i> | (840) | (612) |
| Amortization of tangible capital assets <i>(note 9)</i> | 508 | 463 |
| Write-down of tangible capital assets <i>(note 9)</i> | 14 | 11 |
| Assets transferred (to) from the NMTA <i>(note 9)</i> | (805) | 280 |
| Net (Addition) Reduction of Tangible Capital Assets | (1,123) | 142 |
| Change in municipal administration to (from) NMTA <i>(note 12)</i> | 1,078 | (312) |
| Increase in net financial assets | 4,866 | 2,047 |
| Net financial assets, beginning of year | 23,078 | 21,031 |
| Net Financial Assets, End of Year | 27,944 | 23,078 |

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT**Statement of Cash Flow****For the year ended December 31***(thousands of dollars)*

| | 2009 | 2008 |
|---|-----------------|-----------------|
| Operating Activities | | |
| Cash Receipts | | |
| General Revenue Fund | 20,298 | 13,327 |
| Leases and land sales | 3,876 | 4,443 |
| Taxes | 2,523 | 1,783 |
| Investments | 852 | 1,195 |
| Utility and fuel sales | 693 | 1,319 |
| Advance payment | 1,391 | 2,000 |
| Other sources | 7 | 28 |
| Total Cash Receipts | 29,640 | 24,095 |
| Cash Payments | | |
| Transfers | (19,474) | (14,380) |
| Advance payment used | (2,047) | (2,735) |
| Northern subdivision development | (638) | (101) |
| Fuel operating costs | (711) | (1,357) |
| Municipal services | (2,340) | (2,064) |
| Total Cash Payments | (25,210) | (20,637) |
| Cash Provided by Operating Activities | 4,430 | 3,458 |
| Capital Activities | | |
| Cash used to acquire tangible capital assets | (840) | (652) |
| Proceeds from disposal of tangible capital assets and tax title properties | 3 | 7 |
| Cash Used for Capital Activities | (837) | (645) |
| Investing Activities | | |
| Proceeds from disposal of temporary investments | 44,340 | 79,540 |
| Purchase of temporary investments | (49,245) | (82,040) |
| Cash Used for Investing Activities | (4,905) | (2,500) |
| (Decrease) Increase in Cash | (1,312) | 313 |
| Cash, beginning of year | 3,539 | 3,226 |
| Cash, End of Year | 2,227 | 3,539 |

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Notes to the Financial Statements
As at December 31, 2009

1. Authority and Organization Description

Northern Municipal Trust Account (NMTA), formerly the Northern Revenue Sharing Trust Account, was established by Section 287 of *The Northern Municipalities Act* (Act). NMTA is administered by the Northern Municipal Services Branch of the Ministry of Municipal Affairs (MA). NMTA administers all revenues relating to the Northern Saskatchewan Administration District (NSAD) and all moneys appropriated by the Legislature for the purposes of northern revenue sharing and other grant programs. NSAD is a geographical area defined under *The Northern Saskatchewan Administration District Boundaries Regulations*. The NMTA also acts as a municipal operating fund for the unincorporated area in the district, the northern settlements and recreational subdivisions.

The Northern Water and Sewer Program provides funding to northern municipalities to develop and install or upgrade water and sewer systems to ensure residents have access to a safe potable water supply.

The Northern Capital Grant Program provides funding to northern municipalities with limited sources of revenue to assist in the construction and upgrade of municipal facilities and equipment.

The Saskatchewan Association of Northern Communities (New North) serves as a liaison between the northern municipalities and MA, and is an advocate voice for northern municipalities. The transfer to New North, on behalf of the northern municipalities and settlements, is to assist them in promoting membership in their association.

The Northern Residential Subdivision Program provides for the development of residential lots. Many of the municipalities in NSAD do not have sufficient tax bases or other sources of revenue necessary to develop a subdivision. Ownership of the developed lots is, by agreement with the municipalities, transferred to NMTA.

Pursuant to the Act, NMTA collects taxes for northern hamlets and northern school divisions. Taxes levied on behalf of northern hamlets and northern school divisions are not considered revenue of NMTA and are not reflected in the Statement of Operations. These taxes are remitted to the respective entities when received.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

a) Inventory for resale

Fuel held for resale, by the northern settlement of Uranium City, is valued at the lower of cost, determined on a first in first out basis, and net realizable value.

b) Investments

i) Temporary

Temporary investments are term deposits recorded at cost, which approximates their market value.

ii) Portfolio

Portfolio investments are investments that are not subject to significant influence. They are recorded at cost, and revenue from these investments is recorded as income when receivable.

Athabasca Basin Development Limited Partnership (ABDLP) was established in 2002 to provide employment and economic development in the north. The northern settlements of Wollaston Lake, Uranium City, and Camsell Portage each have a six percent limited partnership interest in ABDLP, at a cost of \$100 each. First Nations in the far north hold the remaining interest.

c) Landfill decommissioning and post decommissioning care

The costs to decommission landfill sites and the post decommissioning care are recognized over their estimated remaining lives based on the current land allocation to landfill and usage.

Total estimated costs will be adjusted in the year when events indicating a change is required become known.

d) Tangible capital assets

Tangible capital assets are recorded at cost in the year acquired less accumulated amortization. NMTA's tangible capital asset policy requires items with a cost of \$500 or more and a useful life of greater than a year to be capitalized. All costs directly attributable to acquisition, construction, development or betterment are capitalized. Assets are amortized commencing in the year the assets are acquired using the straight-line method over their estimated useful lives as follows:

| | |
|--------------------------------|-------------|
| Buildings | 25 years |
| Machinery and equipment | 10 years |
| Office furniture and equipment | 3 – 5 years |
| Water and sewer infrastructure | 25 years |
| Other | 10 years |

Tangible capital assets are written down when the asset no longer contributes to NMTA's ability to provide goods and services.

Information regarding the value of roads and infrastructure contributed upon formation of the settlements and recreational subdivisions is not available. These assets are considered to be fully amortized with an insignificant residual value.

e) Revenue

Revenues are recorded on the accrual basis. Government transfers are recognized as revenue in the period during which the transfer is authorized and any eligibility criteria are met.

f) Transfer payments

Transfer payments, such as entitlements, grants, and shared cost agreements, are recognized as expenses in the period when the transfer is authorized, the eligibility criteria have been met by the recipient, and a reasonable estimate of the amount can be made.

g) Northern Residential Subdivision Program – land development costs

NMTA incurs land development costs for the Northern Residential Subdivision Program. Under the program, NMTA develops lots for sale to private individuals or organizations. These costs include subdivision design and installation of power, water and sewer services. NMTA expenses these costs in the year the costs are incurred provided it has no firm commitment from prospective buyers.

However, when NMTA has a firm commitment from a prospective buyer it records the related costs as assets on the Statement of Financial Position. NMTA recognizes the sale of developed lots in the year the lots are sold or funds are recovered from the communities where the subdivision exists.

h) Change in Municipal Administration

The NMTA serves in a municipal function in the administration of the northern settlements and recreational subdivisions.

Pursuant to sections 9 to 15 of the Act an application by petition may be submitted to the Minister to establish a northern municipality. For a northern settlement or recreational subdivision under the administration of the NMTA, the related assets, liabilities, non-financial assets and accumulated surplus are transferred from the NMTA to the municipality as of the date it is established as a northern municipality.

Pursuant to sections 21 and 22, of the Act, where conditions of incorporation with respect to a northern municipality no longer exist the minister may disorganize a northern hamlet and revert its status to that of a northern settlement. The related assets, liabilities, non-financial assets and accumulated surplus are transferred to the NMTA from the municipality as of the date it is no longer recognized as a municipality.

j) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures for the year. Actual results could differ from those estimates.

3. Financial Instruments

NMTA's financial instruments include cash, temporary investments, accounts receivable, grants payable, accounts payable and revenues collected for others. The fair value of these instruments approximates the carrying value due to their immediate or short-term nature. The temporary investments are term deposits with a weighted average term to maturity of 123 days (2008 – 351 days) and bear interest ranging from 1.00% to 4.35% per annum (2008 – 1.72% to 4.35%).

4. Accounts Receivable

| (thousands of dollars) | 2009 | 2008 |
|--|--------------|--------------|
| Water and sewer infrastructure | 1,176 | 995 |
| Lease fees receivable | 871 | 595 |
| Accrued interest | 137 | 185 |
| Fuel sales receivable | 154 | 225 |
| Receivable from federal government (GST) | 263 | 91 |
| Taxes | 32 | 20 |
| Other | 362 | 271 |
| Total Accounts Receivable | 2,995 | 2,382 |

NMTA's accounts receivable above are net of a provision of \$423,000 for taxes, \$1,319,000 for leases, and \$3,000 for other receivables that are considered doubtful, for a total provision of \$1,745,000 (2008 - \$1,651,000).

5. Unearned Revenue

Unearned revenue of \$1,492,000 (2008 - \$1,539,000) represents Crown land leases collected by the Ministry of Environment from third parties and paid to NMTA relating to future periods.

6. Advance Payments

The NMTA entered into various agreements to jointly fund water and sewer projects. Advance payments represent the balance of the payments received to be allocated against future expenditures.

7. Accrued Landfill Decommissioning

The Saskatchewan Environmental Management and Protection Act sets out regulatory requirements to properly close and maintain all active and inactive landfill sites. Environmental laws require decommissioning care of solid waste landfill sites. Decommissioning and the post decommissioning requirements include the covering and landscaping of landfill, ongoing environmental monitoring, and maintenance.

At December 31, 2009, NMTA has accrued an estimated amount of \$239,000 (2008 - \$226,000) for decommissioning and post decommissioning care for 15 landfill sites in NSAD. The estimated accrual is based on the total estimated landfill capacity and the accumulated capacity used at December 31, 2009. Management estimates that the total cost to decommission landfill sites in NSAD will amount to \$650,000 (2008 - \$615,000) based on future cash flow discounted at three per cent.

The estimated remaining capacity of the 15 landfills in NSAD ranges from 0 to 45 years. On average these landfills have 1.5 hectares available for use.

8. Revenues Collected for Others

(thousands of dollars)

| | 2009 | 2008 |
|--|-----------|------------|
| School taxes due to school division | 55 | 195 |
| Municipal taxes collected due to hamlets | 4 | 6 |
| Total Revenues Collected for Others | 59 | 201 |

9. Tangible Capital Assets

Tangible capital and other non-financial assets are accounted for as assets because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities unless they are sold. Capital work in progress relates to water and sewer and other infrastructure building expenses that are not completed. These costs are capitalized under work in progress until they are fully operational.

Tangible capital assets of \$14,000 (2008 - \$72,000) with a net book value of \$10,000 (2008 - \$9,000) were written off during the year as they no longer provide a service benefit.

(thousands of dollars)

| | 2009 | | | | | 2008 | |
|--|--------------|-----------------------|------------|---------------|---------------------------|--------------|--------------|
| | Buildings | Machinery & Equipment | Other | Water & Sewer | Capital Works in Progress | Total | Total |
| Opening cost | 4,163 | 2,252 | 425 | 6,536 | 226 | 13,602 | 13,557 |
| Additions | 442 | 64 | 83 | 18 | 233 | 840 | 612 |
| Disposals and write-downs | -- | (44) | -- | -- | -- | (44) | (94) |
| Reclassification of assets | -- | -- | 20 | 379 | (399) | -- | -- |
| Transfer to (from) NMTA | 375 | 152 | 27 | 2,181 | -- | 2,735 | (473) |
| Closing cost | 4,980 | 2,424 | 555 | 9,114 | 60 | 17,133 | 13,602 |
| Opening accumulated Amortization | 3,452 | 1,860 | 333 | 3,325 | -- | 8,970 | 8,783 |
| Annual amortization | 93 | 83 | 27 | 305 | -- | 508 | 463 |
| Disposals and write-downs | -- | (30) | -- | -- | -- | (30) | (83) |
| Transfer to (from) NMTA | 283 | 82 | 19 | 1,546 | -- | 1,930 | (193) |
| Closing accumulated amortization | 3,828 | 1,995 | 379 | 5,176 | -- | 11,378 | 8,970 |
| Net Book Value of Tangible Capital Assets | 1,152 | 429 | 176 | 3,938 | 60 | 5,755 | 4,632 |

10. Budget

The NMTA 2009 budget was approved by the Minister of Municipal Affairs.

11. Municipal Services

(thousands of dollars)

| | 2009 | | 2008 |
|---------------------------------|--------------|--------------|--------------|
| | Budget | Actual | Actual |
| General government | 1,091 | 1,241 | 817 |
| Utilities operating cost | 629 | 804 | 634 |
| Recreation and cultural | 292 | 242 | 297 |
| Environmental | 206 | 232 | 194 |
| Transportation services | 464 | 464 | 429 |
| Protective services | 26 | 27 | 17 |
| Public health and welfare | 1 | -- | -- |
| Total Municipal Services | 2,709 | 3,010 | 2,388 |

12. Change in Municipal Administration

Effective October 1, 2009, under the Act, the northern hamlet of Missinipe reverted back to a northern settlement. As of the effective date the financial assets, liabilities, non-financial assets and accumulated surplus were transferred from the northern hamlet to the northern settlement account (see Schedule 1).

Effective March 26, 2008, under the Act, the northern settlement of Black Point received hamlet status. As of the effective date the assets, liabilities, non-financial assets and accumulated surplus were transferred from the northern settlement to the northern hamlet (see Schedule 1).

13. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, Ministries, agencies, boards and commissions related to NMTA by virtue of common control by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

(thousands of dollars)

| | 2009 | 2008 |
|----------------------------|------|------|
| Expense | | |
| Water and sewer transfers | 467 | 354 |
| General government | 266 | 312 |
| Accounts Receivable | | |
| Due from Municipal Affairs | 457 | 995 |
| Lease receivable | 871 | 595 |

In addition, NMTA pays provincial sales tax to Saskatchewan Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

Transfer from related parties during the year:

| (thousands of dollars) | 2009 | 2008 |
|--|--------|--------|
| Ministry of Municipal Affairs | 18,705 | 13,042 |
| Ministry of Social Services | 39 | 28 |
| Ministry of Highways & Infrastructure | 81 | - |
| Saskatchewan Lotteries Trust Fund for Sport, Recreation and Culture | 140 | 107 |
| Grants in lieu from Saskatchewan ministries and agencies | 52 | 49 |
| | 19,017 | 13,226 |

The Ministry of Environment is responsible for administering Crown land within NSAD. Therefore, Crown land is not reflected on the Statement of Financial Position. However, in accordance with *The Northern Crown Land Disposition Regulations* and the Act, NMTA is entitled to receive all proceeds from Crown land sales and leases within the NSAD.

14. Contractual Obligations

As at December 31, 2009, NMTA has entered into contracts to fund northern water and sewer, capital grant and northern subdivision projects through 2010. These obligations total \$6.3 million (2008 – \$10.5 million).

15. Expense by Object

| (thousands of dollars) | 2009 | | 2008 |
|---|---------------|---------------|---------------|
| | Budget | Actual | Actual |
| Transfers | 22,262 | 19,577 | 16,186 |
| Northern subdivision development | 2,000 | 679 | 101 |
| Wages and benefits | 432 | 459 | 398 |
| Administration | 93 | 98 | 81 |
| Maintenance, materials and supplies | 1,289 | 847 | 1,414 |
| Contractual services | 941 | 1,160 | 758 |
| Utilities | 332 | 334 | 338 |
| Amortization | 352 | 508 | 463 |
| Loss on disposal of tangible capital assets | -- | 11 | 8 |
| Bad debt expense | 50 | 117 | 97 |
| Other expenses | 270 | 134 | 123 |
| Total Expense by Object | 28,021 | 23,924 | 19,967 |

16. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Schedule 1

NORTHERN MUNICIPAL TRUST ACCOUNT Segmented and Restricted Assets

The NMTA functions as a consolidated fund, provides operating grants, capital grants, and other program funding to northern municipalities. It also serves in a municipal function in the administration of the northern settlements and recreational subdivisions. Revenues collected during the year and the accumulated surplus of \$10.8 million (2008 – \$9.5 million) of the northern settlements and recreational subdivisions is restricted for their use only and is not available for use by the general account.

Statement of Financial Position

As at December 31

(thousands of dollars)

| | 2009 | | | 2008 | |
|-------------------------------|-----------------|----------------------|---------------------------|---------------|---------------|
| | General Account | Northern Settlements | Recreational Subdivisions | Total | Total |
| Financial Assets | | | | | |
| Cash & temporary investments | 26,066 | 3,986 | 623 | 30,675 | 27,082 |
| Other financial assets | 2,655 | 963 | 11 | 3,629 | 2,834 |
| Total Financial Assets | 28,721 | 4,949 | 634 | 34,304 | 29,916 |
| Liabilities | | | | | |
| Grants payable | 4,351 | -- | -- | 4,351 | 3,950 |
| Unearned revenue | 1,492 | -- | -- | 1,492 | 1,539 |
| Other liabilities | 185 | 251 | 81 | 517 | 1,349 |
| Total Liabilities | 6,028 | 251 | 81 | 6,360 | 6,838 |
| Net Financial Assets | 22,693 | 4,698 | 553 | 27,944 | 23,078 |
| Non financial Assets | -- | 5,559 | 196 | 5,755 | 4,632 |
| Accumulated Surplus | 22,693 | 10,257 | 749 | 33,699 | 27,710 |

Statement of Operations and Accumulated Surplus

For the year ended December 31

(thousands of dollars)

| | 2009 | | | 2008 | |
|--|-----------------|----------------------|---------------------------|---------------|---------------|
| | General Account | Northern Settlements | Recreational Subdivisions | Total | Total |
| Revenue | | | | | |
| Transfers | 18,770 | 1,665 | 70 | 20,505 | 13,231 |
| Lease fees | 3,854 | 32 | -- | 3,886 | 4,473 |
| Taxation | 2,338 | 26 | 171 | 2,535 | 1,790 |
| Utility and fuel sales | -- | 630 | -- | 630 | 1,242 |
| Interest and investment | 626 | 181 | 15 | 822 | 1,088 |
| Land sales | 307 | 3 | -- | 310 | 306 |
| Other | 22 | 21 | 104 | 147 | 54 |
| Total Revenue | 25,917 | 2,558 | 360 | 28,835 | 22,184 |
| Expense | | | | | |
| Transfers | 19,577 | -- | -- | 19,577 | 16,186 |
| Northern residential subdivision | 679 | -- | -- | 679 | 101 |
| Municipal services | 1,075 | 1,749 | 186 | 3,010 | 2,388 |
| Fuel operating costs | -- | 528 | -- | 528 | 1,190 |
| Bad debt expense | 85 | 25 | 7 | 117 | 97 |
| Landfill decommissioning | -- | 13 | -- | 13 | 5 |
| Total Expense | 21,416 | 2,315 | 193 | 23,924 | 19,967 |
| Surplus | 4,501 | 243 | 167 | 4,911 | 2,217 |
| Accumulated surplus, beginning of year | 18,192 | 8,936 | 582 | 27,710 | 25,805 |
| Change in municipal administration (note 12) | -- | 1,078 | -- | 1,078 | (312) |
| Accumulated Surplus, End of Year | 22,693 | 10,257 | 749 | 33,699 | 27,710 |

